



FINAL TERM EXAMINATION
Spring 2009 FIN623- Taxation Management (Session - 1)

Marks: 81

Question No: 1 (Marks: 1) - Please choose one

is a type of tax where the tax rate increases as the income to which the rate is applied increases.

- ▶ Proportional tax
- ▶ **Progressive tax**
- ▶ Regressive tax
- ▶ Corporate tax

Progressive Taxes is based on the “capacity to pay” principle of taxation.

Question No: 2 (Marks: 1) - Please choose one

If the accounting year of Mr. Aslam, a rice exporter is started from 01 January 2005 and ending on 31st December 2005. What will be its tax year?

- ▶ Tax year 2003
- ▶ Tax year 2004
- ▶ **Tax year 2005**
- ▶ Tax year 2006

A Normal Tax Year a period of twelve months

Question No: 3 (Marks: 1) - Please choose one

In case of lump sum receipt of income like Golden hand shake the tax payer pays tax in which of the following way?

- ▶ Average of last 3 years tax rate
- ▶ Option to choose current or average of last 3 years tax rate
- ▶ **Current tax rate**
- ▶ Previous year tax rate

Question No: 4 (Marks: 1) - Please choose one

Which of the following methods of accounting is to adopt for Sole-proprietorship?

- ▶ **Accrual Basis**
- ▶ Cash Basis
- ▶ Both Accrual and Cash Basis
- ▶ Free to choose any kind of base

Under the section [Section 32(2)] it is compulsory for every company to maintain his account under accrual basis.

Question No: 5 (Marks: 1) - Please choose one

Suppose a Profit acquired by a cultivator produce after harvesting.

The profit of the cultivator will be treated as

- ▶ Income from Business
- ▶ **Agriculture Income PAGE 20**
- ▶ Income from Property
- ▶ Capital Gain

Question No: 6 (Marks: 1) - Please choose one

If a person supplying water to the land for the purpose of growing crops and he charged money from the cultivator against the water supply. What will be the tax treatment of such income?

- ▶ Exempt as Agriculture Income
- ▶ Allowed Reduction in tax rate
- ▶ Allowed reduction in tax liability
- ▶ **Taxable as Non-Agriculture Income PAGE 19**

Question No: 7 (Marks: 1) - Please choose one

Mr. Imran is an employee of Provincial Government. What will be his residential status?

- ▶ **Resident Individual**
- ▶ Non-Resident Individual
- ▶ Resident HUF
- ▶ Resident AOP

Question No: 8 (Marks: 1) - Please choose one

For a non-resident AOP which of the following conditions must be satisfied?

- ▶ Control and management of affairs of AOP is situated partly in Pakistan
- ▶ Control and management of affairs of AOP is situated wholly in Pakistan
- ▶ **Control and management of affairs of AOP is situated wholly or partly in Pakistan PAGE 27**
- ▶ None of the given options

Question No: 9 (Marks: 1) - Please choose one

What is the tax treatment of the reimbursement of expenditure made by the employer?

- ▶ **Wholly Taxable PAGE 39**
- ▶ Wholly exempt
- ▶ Partly Taxable
- ▶ Not mentioned in Income Tax Ordinance 2001

Question No: 10 (Marks: 1) - Please choose one

What is the tax treatment of the leave encashment of the armed forces of Pakistan on retirement made by the employer?

- ▶ Wholly Taxable
- ▶ **Wholly exempt**
- ▶ Partly Taxable
- ▶ Not mentioned in Income Tax Ordinance 2001

Exemption available is for the members of the Armed Forces of Pakistan, employees of the Federal Government and Provincial Governments.

Question No: 11 (Marks: 1) - Please choose one

As part of remuneration package, a company provides costs on actual basis to its employees in case of only, what are the tax consequences of this policy?

- ▶ **Treated as taxable**
- ▶ No tax consequences
- ▶ Partially taxable
- ▶ Not discussed in Income Tax Ordinance

Question No: 12 (Marks: 1) - Please choose one

MTS stands for which of the following?

- ▶ **Minimum time scale**
- ▶ Minimum transfer Salary
- ▶ Maximum time scale
- ▶ Maximum transfer Salary

Question No: 13 (Marks: 1) - Please choose one

Condition for the approval of gratuity fund is based on

- ▶ **Trust is irrevocable** PAGE 55
- ▶ Trust is revocable
- ▶ Trust is established by Government
- ▶ Trust is approved by Officer of Income

Question No: 14 (Marks: 1) - Please choose one

Clause (10) and (11) of Part 1 of second schedule relate to the following?

- ▶ Finance Ordinance 2004
- ▶ Finance Ordinance 2005
- ▶ **Finance Bill 2006** INCOME TAX ORDINANCE PAGE 280
- ▶ Finance Bill 2007

Question No: 15 (Marks: 1) - Please choose one

Which of the following is the tax treatment for Income for the year 2007?

- ▶ 1/4 of the rent is deductible as repairs
- ▶ 1/2 of the rent is deductible as repairs allowance
- ▶ 1/5 of the rent is deductible as repairs
- ▶ No deduction is allowed

Question No: 16 (Marks: 1) - Please choose one

A non-adjustable advance is received from a building as income from property will be spread in how many of the following years?

- ▶ 5 years
- ▶ 6 years

► 8 years

► 10 years PAGE 63

Question No: 17 (Marks: 1) - Please choose one

Under clause (93 A) of the Part 1 of second schedule of In which of the following business income is exempted from

► Income of a Text-Book Board

► University or Educational Institution

► **Recognized Vocational Institute** INCOME TAX ORDINANCE PAGE 302

► Income of Recognized Sports Board

1[(93A) Profits and gains derived by a taxpayer from the running of any vocational institute or technical institute or poly-technical institute, recognized by a Board of Technical Education or a university or any other authority appointed in this behalf by the Federal Government or a Provincial Government, as the case may be, set up between the first day of July, 2004, and the thirtieth day of June, 2008, both days inclusive, for a period of five years beginning from the tax year in which such institution is recognized.]

Question No: 18 (Marks: 1) - Please choose one

Head Income from property section 15 defines "land" as:

► Constructed building

► Block of brick

► Vacant plot

► **None of the given options**

Question No: 19 (Marks: 1) - Please choose one

One of the following options doesn't come under the definition of Business income section 2 (9):

► Trade

► Commerce

► Profession

► **Employment**

Business includes any trade, commerce, manufacture, profession, vocation but doesn't include employment"

Question No: 20 (Marks: 1) - Please choose one

Which one of the following section defines 'Income' under the head Income from Business section 18?

► **Section 2(9)**

► Section 2(29)

- ▶ Section 75
- ▶ Section 2(15)

Question No: 21 (Marks: 1) - Please choose one

Which of the following section deals with the deductions Not allowed to income from business?

- ▶ Section 2 (9)
- ▶ **Section 20 PAGE 67**
- ▶ Section 21
- ▶ Section 22

Question No: 22 (Marks: 1) - Please choose one

Gain on sale of depreciable asset, under section 31 of t charged to tax under which of the following head of In

- ▶ **Income from Business PAGE 69**
- ▶ Income from Property
- ▶ Income from Capital Gain
- ▶ Income from Other sources

Question No: 23 (Marks: 1) - Please choose one

Amount received after discontinuance of business, und Ordinance 2001, is charged to tax under which of the f

- ▶ **Income from Business PAGE 69**
- ▶ Income from Property
- ▶ Income from Capital Gain
- ▶ Income from Other sources

Question No: 24 (Marks: 1) - Please choose one

Which of the following is the tax rate that a Resident Company is subjected to pay on turnover for a tax year, even in cases where the company sustains loss?

- ▶ 0.25%
- ▶ **0.50%**
- ▶ 0.75%
- ▶ 1.00%

Minimum Tax on Resident Companies Sec. 113 Resident Company is subjected to minimum tax @ 0.50% of its turnover for a tax year, even in cases where the company sustains loss.

Question No: 25 (Marks: 1) - Please choose one

The amount of 'minimum tax' liability is arrived at as follows:

- ▶ (A x 0.5%) -B
- ▶ (A x B)- 0.5%
- ▶ (A + B) — 0.5%
- ▶ (A / 0.5%) –B

Question No: 26 (Marks: 1) - Please choose one

In case of disposal of asset between spouses under an agreement to live apart, what would be the tax treatment of such disposal of asset?

- ▶ Charged to tax under the head Income from Business
- ▶ Charged to tax under the head Income from Capital Gain
- ▶ **Exempt from tax under section 79 of the Income Tax Ordinance 2001** PAGE 81
- ▶ Charged to tax under the head Income from Property

Question No: 27 (Marks: 1) - Please choose one

Which of the following is NOT required to file the return of Income 115?

- ▶ Every Company
- ▶ Every Firm
- ▶ Every person with land 250 sq yards
- ▶ Salaried individual having salary cer

Question No: 28 (Marks: 1) - Please choose one

A person may furnish Revised Return from the date w furnished up to which of the following time period?

- ▶ 5 Days
- ▶ 5 Months
- ▶ **5 Years** PAGE 99
- ▶ 15 Months

Question No: 29 (Marks: 1) - Please choose one

A person where taxable income for a tax year exceeds chargeable to tax is required to file a return of income amount is:

- ▶ Rs.100, 000
- ▶ Rs.300, 000
- ▶ Rs.250, 000
- ▶ **Rs.500, 000** PAGE 99

Question No: 30 (Marks: 1) - Please choose one

Which of the following is NOT a liquidator under section 141 of the ordinance 2001?

- ▶ Receiver appointed by a Court
- ▶ Trustee for a bankrupt
- ▶ Mortgagee in possession
- ▶ **Tax payer** PAGE 104

Question No: 31 (Marks: 1) - Please choose one

Federal Tax Ombudsman has the same powers as ____ for its contempt..

- ▶ **Supreme court**
- ▶ High court
- ▶ City court
- ▶ Provincial Government

The Federal Tax Ombudsman has the same powers as the Supreme Court has to punish any person for its contempt.

Question No: 32 (Marks: 1) - Please choose one

The office of Superintendent of Sales Tax, or such o notification in the official Gazette, specify is called;

- ▶ Income tax office
- ▶ Registered office
- ▶ **Local Sales Tax Office PAGE 113**
- ▶ None of the given options

Question No: 33 (Marks: 1) - Please choose one

Capital Value Tax was levied on the capital value of assets with effe

▶ **1st July, 1989 PAGE 121**

- 1 June 1990
- ▶ st 1 July 2000
- 1 July 1999

Question No: 34 (Marks: 1) - Please choose one

A directorship or any other office involved in the management of a company under section 2(22) of Income Tax Ordinance, 2001 is termed as:

- ▶ **Employment**
- ▶ Employer
- ▶ Employee
- ▶ Business premises

2(22) employment includes:

- a directorship or any other office involved in the management of a company;
- a position entitling the holder to a fixed or ascertainable remuneration; or
- the holding or acting in any public office;

Question No: 35 (Marks: 1) - Please choose one

Mr. X resident of Pakistan earned income from Property situated in London R 50,000 but received in India. Which one of the fol particular scenario?
pted

- ▶ Mr. X being resident of Pakistan Rs. 50,000 income
- ▶ **Mr. X being resident of Pakistan Rs. 50,000 total income**
- ▶ Mr. X being resident of Pakistan Rs. 50,000 deduction
- ▶ Mr. X being resident of Pakistan Rs. 50,000

Question No: 36 (Marks: 1) - Please choose one

Mr. X non-resident of Pakistan earned income fro Rs. 70,000 but received in Pakistan. Which one of for this particlar scenario?

▶ **Mr. X being non-resident of Pakistan Rs. 70,000 will be added in G total income**

▶ Mr. X being non-resident of Pakistan Rs. 70,000 will be subtracted Gross total income

▶ Mr. X being non-resident of Pakistan Rs. 70,000 will be claimed as admissible deduction

▶ Mr. X being non-resident of Pakistan Rs. 70,000 will be exempted

Question No: 37 (Marks: 1) - Please choose one

Which of the following is the rate of tax for salaried Individuals for tax year 2009, where the taxable income exceeds Rs. 250,000 but does not exceed Rs. 350,000?

▶ Nil

▶ 0.250%

▶ 0.50%

▶ **0.75% PAGE 125**

Question No: 38 (Marks: 1) - Please choose one

Which of the following is the rate of tax for salaried Individuals for tax year 2009, where the taxable income exceeds Rs. 400,000 but does not exceed Rs. 450,000?

▶ 0.25%

▶ 1.50%

▶ **2.50% PAGE 125**

▶ 3.50%

Question No: 39 (Marks: 1) - Please choose one

Miss Sonia's total taxable income for the year 2009 is Rs. 240,000. Which of the following is the tax liability of Miss Sonia?

▶ **Nil PAGE 125**

▶ Rs. 500

▶ Rs. 1,000

▶ Rs. 1,500

Question No: 40 (Marks: 1) - Please choose one

Mr. A's total taxable income for the year 2009 is Rs. 600,000 the tax liability of Mr. A?

▶ Rs. 15,000

▶ Rs. 21,000

▶ **Rs. 27,000**

▶ Rs. 36,000

Where the taxable income exceeds Rs. 550,000 but does not exceed Rs. 650,000, RATE OF TAX WILL BE 4.50%

Question No: 41 (Marks: 1) - Please choose one

Which of the following is the Tax Treatment of utilitie

▶ Wholly taxable

- ▶ Wholly exempted
- ▶ **Exempt up to 10% of MTS** PAGE 45
- ▶ Exempt up to 1% of MTS

Question No: 43 (Marks: 3)

What is the main purpose of Gratuity?

Question No: 44 (Marks: 3)

Mr. Farooq's salary is Rs.22, 000 per month. He received commission during the year amounting to Rs.33, 000. He is provided a jeep by his employer for personal as well as official use. The employer took this jeep from a leasing company at an annual lease of Rs.80, 000. The fair market value of the jeep at commencement of lease was Rs.800, 000. Calculate the taxable income of Mr.Farooq.

Question No: 45 (Marks: 3)

Briefly explain the unexplained income Ordinance 2001.

Question No: 46 (Marks: 5)

Under what conditions a commission by notice?

Question No: 47 (Marks: 5)

Mr. Ghaus is employed in a company after his retirement from army. Deta income for the year ended 30th June 2009 are as under;

Basic salary from company Rs.20, 000 per month

Entertainment allowance Rs. 1,000 per month

Pension received from army Rs. 48,000 per annum

Calculate the total taxable income of Mr.Ghaus.